

April 9, 2010

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Proposed Amendments to Chartering and Field of Membership
Manual (IRPS 09-1)

Dear Ms. Rupp:

Please accept this official comment letter on behalf of the Board and Management of Northwest Federal Credit Union regarding the NCUA Board's proposed rules to streamline applications for community charters under the Federal Chartering and Field of Membership Manual (IRPS 09-1).

While we are not a community chartered credit union, we are concerned that the rules as proposed may unintentionally and unnecessarily remove a viable growth and diversification option from the table for many credit unions going forward. Although we generally support the Board's efforts to streamline the community charter application process, we do not believe that the desire to create a more streamlined process should result in the denial of a credit union's ability to pursue a community charter that does not fit squarely within the agency's streamlined statistical definition. With this in mind, we would like to offer comments for the Board's review and consideration on three specific areas of the proposal.

Population Caps

Of equal concern is the Board's proposal to implement an arbitrary population cap of 2.5 million people on multi-county communities. This cap seems to apply regardless of whether the community otherwise meets the proposed statistical definition of a multi-county community. We are perplexed as to why the Board feels such a cap is necessary.

As we understand it, this proposal would apply the population cap to communities that are classified as Core Based Statistical Areas or portions thereof. In other words, a single county or single city could have a population of 5 million and qualify as a community while a multi-

county community, even if it otherwise qualifies, would be limited to a population of 2.5 million.

We see no justifiable reason to establish the proposed standards that must be met in order to become an approvable community and then set a 2.5 million population cap on top of the very tight definition for multi-county communities. Either the area qualifies as a community or it does not. The population or geography of the proposed community should not be the standard. The level of interaction among the residents should be the appropriate standard.

Therefore, we encourage the Board to remove the 2.5 million population cap in the proposal.

Elimination of Narrative Statement

One troubling aspect of this proposal is the elimination of a credit union's ability to submit a narrative to support its case for a community charter. We agree that the use of a narrative is unnecessary if the credit union qualifies for the agency's proposed statistical definition of a community. However, in those cases where the proposed community does not meet the "streamlined" definition, we feel strongly that a credit union should have the option to submit a narrative to demonstrate persuasive evidence in support of its proposed community.

While improvements and efficiencies in the community charter application process are clearly warranted, a credit union should not be forced to accept the agency's streamlined definition of a community when there is other evidence available to support an area outside the proposed definition as a community and it is in the credit union's best interests to pursue a community outside the agency's predetermined community. We believe that a true streamlined process would imply that the applicant has a choice - either take the predetermined community option that the streamlined process offers or pursue the longer more cumbersome process associated with the submission of a narrative.

Unfortunately, this proposal removes choice from the community charter process and replaces it with a one-size-fits-all definition of a community that fails to recognize the unique nature of communities that exist all across the country. The agency's tightly drawn definition of community may indeed bring about expediency and efficiency in processing community charter applications, but it will also remove much needed flexibility in the process that should be preserved for the regulator and credit unions alike.

With the ability to select either a narrative option or a streamlined option, no credit union in serious need of diversification would arbitrarily have the door closed to them because their community exceeded the population cap or only had 49% of the jobs in its hub when the specified criteria in the rule requires 33% of the population in the hub and 50% of the jobs.

Therefore, we would strongly urge the NCUA Board to reconsider its decision to eliminate the use of a narrative in the proposed rule.

Ability to Serve and Marketing Plans

We strongly believe that credit unions seeking to serve a community based field of membership should make every effort to serve the entirety of their approved communities. Credit unions desiring to serve these communities should be required to submit marketing and business plans that are both reasonable and practical with the expectation that the credit union should diligently strive to meet the objectives and goals set forth in these plans. However, it is important to recognize that these plans must also be fluid and flexible so that the credit union can quickly adapt to changes in the economy and local marketplace.

We are supportive of the Board's guidance in the proposal indicating the types of criterion that should be included in an acceptable marketing and business plan for conversion to a community charter. The inclusion of such examples should provide credit unions with clear direction in what the agency's expectations will be in evaluating the adequacy of a credit union's marketing and business plan.

We do have strong concerns regarding language in the proposal that would mandate a three year supervisory review by NCUA related to business plans for new community charters. We believe the inclusion of this language is unnecessary as NCUA already has the authority to review business plans for safety and soundness reasons now.

The proposal also fails to specify the type of supervisory actions that may be taken against a credit union not meeting the expectations outlined in its marketing or business plan. The vagueness of this provision seems inconsistent with the stated goal of enhanced objectivity in the application process that this proposal seeks to achieve. By including this subjective standard the Board will, in our opinion, unnecessarily raise fears and create confusion surrounding the community charter conversion process. Without clarification, the proposal as currently drafted leaves a very open-ended set of supervisory options on the table.

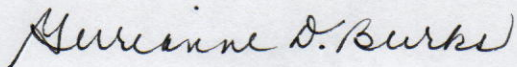
Business plans should be evaluated by examiners on an ongoing basis and within recognized parameters of safety and soundness, just as they are today. If there are extenuating circumstances that require a prudent decision by a credit union to divert from its business plan for safety and soundness reasons, the community credit union should not be fearful of doing so because of unspecified corrective actions that could potentially be taken against them.

Therefore, we would urge the Board to reconsider this aspect of the proposal by removing this provision in its entirety.

In closing, please know that Northwest Federal Credit Union is appreciative of the Board's efforts to streamline the community charter approval process. While we do not support the proposal in its current form, we are convinced that with the few modifications as specified in our comments above, the proposed rule would work to achieve much needed streamlining and efficiencies in the community charter application process.

Thanks again for the opportunity to comment on this important proposal.

Sincerely,

A handwritten signature in cursive script, reading "Gerrianne D. Burks".

Gerrianne D. Burks
President and CEO
Northwest Federal Credit union

CC: Chairman Matz
Board Member Fryzel
Board Member Hyland